

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Plymouth	County Wayne
Fiscal Year End 6-30-2006	Opinion Date 11-10-2006	Date Audit Report Submitted to State 12-18-2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

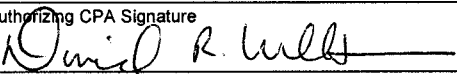
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Post, Smythe, Lutz, and Ziel, LLP		Telephone Number 734-453-8770	
Street Address 1034 West Ann Arbor Trail		City Plymouth	State MI
		Zip 48170	
Authorizing CPA Signature 	Printed Name David R. Williamson, CPA		License Number 1101012382

**CITY OF PLYMOUTH  
Wayne County, Michigan**

**AUDITED FINANCIAL REPORT**

**For the Fiscal Year Ended  
June 30, 2006**

CITY OF PLYMOUTH  
For the Year Ended June 30, 2006

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CITY OF PLYMOUTH  
For the Year Ended June 30, 2006

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## FINANCIAL SECTION

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## Independent Auditor's Report

November 10, 2006

To the Honorable Mayor and  
Members of the City Commission  
City of Plymouth, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Plymouth, Michigan as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Plymouth's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

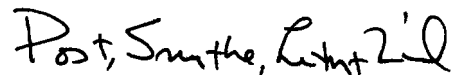
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Plymouth as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Mayor and Members of the  
City Commission  
City of Plymouth, Michigan

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Plymouth's basic financial statements. The accompanying required supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The required supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully,

A handwritten signature in black ink that reads "Post, Smythe, Lutz & Ziel". The signature is written in a cursive, flowing style.

POST, SMYTHE, LUTZ and ZIEL LLP  
Certified Public Accountants



# City of Plymouth

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## Management's Discussion and Analysis

As management of the City of Plymouth, we offer readers of the City of Plymouth's financial statements this narrative overview and analysis of the financial activities of the City of Plymouth for the fiscal year ended June 30, 2006.

### Financial Highlights

- The assets of the City of Plymouth exceeded its liabilities at the close of the most recent fiscal year by \$19,539,163 (*net assets*). Of this amount, \$6,692,146 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Plymouth's governmental funds reported combined ending fund balances of \$5,805,934, an increase of \$865,022 in comparison with the prior year. Approximately 50% of this total amount, \$2,904,560, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, fund balance for the general fund was \$1,405,199, an increase of \$715,871 over the prior year, and approximately 24 percent of total general fund expenditures.
- The City of Plymouth's total long-term debt decreased by \$1,561,437 (12 percent) during the current fiscal year. The reduction resulted from debt payments net of increases in accumulated unpaid sick and vacation pay.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Plymouth's basic financial statements. The City of Plymouth's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.



**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Plymouth's finances in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Plymouth's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Plymouth is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Plymouth that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Plymouth include general government, public safety, highways and streets, sanitation, and culture and recreation. The business-type activities of the City of Plymouth include a water and sewer system.

The government-wide financial statements include not only the City of Plymouth itself (known as the *primary government*), but also a legally separate Downtown Development Authority, and other "non major" component units for which the City of Plymouth is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 12-14 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Plymouth, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Plymouth can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Plymouth maintains twenty four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, and the 2004 G.O. Capital Project Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Plymouth adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and other major funds to demonstrate compliance with this budget.

***Proprietary funds.*** The City of Plymouth maintains a single proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Plymouth uses an enterprise fund to account for its water and sewer activity.

*Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Plymouth's various functions. The City of Plymouth uses an internal service fund to account for its fleet of vehicles, and other equipment. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Plymouth's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 21 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-52 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Plymouth's progress in funding its obligation to provide pension benefits to its employees. This information can be found on page 53 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 54-66 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Plymouth, assets exceeded liabilities by \$19,539,163 at the close of the most recent fiscal year.

By far the largest portion of the City of Plymouth's net assets (48 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Plymouth used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Plymouth's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Plymouth's Net Assets

	Governmental		Business-type		Total	
	2006	2005	2006	2005	2006	2005
Current and Other Assets	\$ 7,223,871	\$ 6,151,603	\$ 4,048,253	\$ 2,962,722	\$ 11,272,124	\$ 9,114,325
Capital Assets	13,927,357	14,341,969	6,571,340	6,521,496	20,498,697	20,863,465
Total Assets	21,151,228	20,493,572	10,619,593	9,484,218	31,770,821	29,977,790
Long-term Liabilities	7,047,312	8,355,657	2,965,000	3,115,000	10,012,312	11,470,657
Other Liabilities	1,781,982	1,940,114	437,364	477,810	2,219,346	2,417,924
Total Liabilities	8,829,294	10,295,771	3,402,364	3,592,810	12,231,658	13,888,581
Net Assets:						
Invested in Capital Assets						
net of related debt	5,883,213	4,939,807	3,456,340	3,261,496	9,339,553	8,201,303
Restricted	2,901,374	2,772,541	606,090	597,130	3,507,464	3,369,671
Unrestricted	3,537,347	2,485,453	3,154,799	2,032,782	6,692,146	4,518,235
Total Net Assets	\$ 12,321,934	\$ 10,197,801	\$ 7,217,229	\$ 5,891,408	\$ 19,539,163	\$ 16,089,209

An additional portion of the City of Plymouth's net assets (18 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$6,692,146) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Plymouth is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net assets increased by \$3,449,954 during the current fiscal year as discussed below.

	Governmental Activities		Business Activities		Total	
	2006	2005	2006	2005	2006	2005
Program Revenues:						
Charges for Services	\$ 3,297,139	\$ 3,287,422	\$ 3,700,885	\$ 3,626,127	\$ 6,998,024	\$ 6,913,549
Operating Grants & Contributions	653,371	610,906	-	-	653,371	610,906
Capital Grants & Contributions	20,507	36,768	71,206	75,000	91,713	111,768
General Revenues:						
Property Taxes	6,512,085	6,340,742	-	-	6,512,085	6,340,742
State Shared Revenues	864,611	872,562	-	-	864,611	872,562
Unrestricted Investment Earnings	336,273	125,024	80,701	23,313	416,974	148,337
Other	42,249	23,258	(22,249)	(23,490)	20,000	(232)
Total Revenues	11,726,235	11,296,682	3,830,543	3,700,950	15,556,778	14,997,632
Program Expenses						
General Government	1,691,362	1,916,044	-	-	1,691,362	1,916,044
Public Safety	3,690,676	3,450,566	-	-	3,690,676	3,450,566
Public Works	2,032,315	2,222,724	-	-	2,032,315	2,222,724
Recreation, Culture, Health & Welfare	1,509,623	1,319,131	-	-	1,509,623	1,319,131
Other	276,975	360,951	-	-	276,975	360,951
Interest on Long-Term Debt	401,151	432,223	-	-	401,151	432,223
Water and Sewer	-	-	2,504,722	2,648,103	2,504,722	2,648,103
Total Expenses	9,602,102	9,701,639	2,504,722	2,648,103	12,106,824	12,349,742
Change in Net Assets	\$ 2,124,133	\$ 1,595,043	\$ 1,325,821	\$ 1,052,847	\$ 3,449,954	\$ 2,647,890

**Governmental activities.** Governmental activities increased the City of Plymouth's net assets by \$2,124,133, thereby accounting for 62 percent of the total growth in the net assets of the City of Plymouth. Key elements of this increase are as follows:

- Principal repayments on certain general obligation indebtedness were financed by voter approved tax levies. The principal reduction (\$770,000) did not result in an "expenditure" on the government wide statements, while the related property tax revenues were included as "general revenues" in the government wide "statement of activities".

- An improved revenue outlook for the general fund and other operating funds, coupled with continuing tight controls on spending, have produced improvement in the overall cash position of the city. Revenues for the governmental activities are up \$429,553 while expenditures are down \$99,537 but, more significantly, remain well below budgetary estimates, as amended.

Since implementing multi-year budget projections in 2003, net assets for governmental activities have increased by \$5,112,692 and unrestricted net assets have increased from \$1,512,122 to \$3,537,347. This has been achieved despite severe restrictions on major revenue sources, primarily those controlled by the state. Management efforts during this period have focused on cutting personnel costs and reducing fringe benefit loading for fulltime employees. Improvements to the city's revenue picture and continued management of operating costs should help to achieve the goal of adopting a future budget in the near term which can reasonably anticipate the elimination of deficits for all projected years.

**Business-type activities.** Business-type activities increased the City of Plymouth's net assets by \$1,325,821, accounting for 38 percent of the total growth in the government's net assets. The city's only business-type activity, the water and sewer fund, has demonstrated improvement for the past four years parallel with the improvement in the governmental activities sector. Again, since 2003, net assets of the water and sewer fund have increased by \$3,119,146 while unrestricted net assets, mostly in cash and equivalents, have increased from \$799,937 to \$3,154,799. Much of the accumulation of unrestricted assets are the result of the City Commission's desire to provide more reserves to cover unanticipated system replacements as well as to provide for significant future internal funding of ongoing utility replacements.

### **Financial Analysis of the Government's Funds**

As noted earlier, the City of Plymouth used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City of Plymouth's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Plymouth's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Plymouth's governmental funds reported combined ending fund balances of \$5,805,934, an increase of \$865,022 in comparison with the prior year. Approximately 50% of this total amount (\$2,904,560) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$115,164), 2) to generate income to pay for the perpetual care of the municipal cemetery (\$417,040) or 3) for a variety of other restricted purposes (\$2,369,170).

The general fund is the chief operating fund of the City of Plymouth. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,360,648 and the total fund balance was \$1,405,199. Unreserved fund balance represents 23 percent of total general fund expenditures.

The increase in the fund balance of the City of Plymouth's general fund by \$715,871 during the current fiscal was the result of both improved revenue streams and a sustained effort to limit and reduce personnel expenditures, particularly in the area of health benefits. Tax revenues increased by more than \$170,000 reflecting taxable value additions as a result of the general re-evaluation of all residential property in the city in addition to a significant increase in the state cost of living factor applied to taxable valuations. Investment earnings also demonstrated significant improvement resulting from both increases in rates as well as higher available cash balances over the past four years.

Program expenses, on an overall basis, have shown a fourth consecutive year of decline. Total expenses of \$9,602,102 are down \$99,537 from last year and \$266,438 from four years ago. This trend, coupled with the improved revenue outlook in the past year, has resulted in the largest increase in net assets in the past four years.

***Proprietary funds.*** The City of Plymouth's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$3,154,799. The total growth in net assets was \$1,325,821. Other factors concerning the finances of the fund have already been addressed in the discussion of the City of Plymouth's business-type activities.

### **General Fund Budgetary Highlights**

Total general fund revenues of \$7,018,506 represent 60% of the revenues of the governmental activity category while expenditures for the year totaling \$5,927,744 represent only 55% of the category total. Some of the additional revenue increase is attributable to a shift of the recording of tax revenues from the recreation fund to the general fund. There is a corresponding shift on the expenditure side by way of an inter-fund transfer of a similar amount from the general fund to the recreation fund. However, the significant increase in fund balance in the general fund was mostly attributable to a shift of wage and fringe costs for public works employees from general fund expense categories to street, waste collection and water and sewer activities. As a result, the net increase in fund balance in the governmental activities primarily benefited the general fund. Of the total increase in fund balance for the year of \$865,022, the general fund reported \$715,871, the 2004 GO bond capital project fund showed a decrease of \$74,602 and all other governmental funds reported a combined increase of \$223,753. Therefore, the unusually large improvement to the general fund is more a result of one-time occurrences this fiscal year than is likely to be expected in the future.

There are several factors which will continue to require close monitoring for future fiscal years as the city continues to attempt to improve its financial position. Most important is the status of future revenue streams, primarily taxes and state shared revenue. The city

has an active DDA district and Brownfield re-development program. Both of these programs continue to expand operations and, therefore, increase the level of taxes being captured from new construction and re-development. This tends to flatten the tax revenue stream available to the general fund creating difficulty to pay operational expenses subject to uncontrolled cost of living increases such as utility and fuel expenses. State shared revenue has historically been the second largest source of general fund revenue. It is now approximately 75% of what it was just 5 years ago and, fortunately, has stabilized at that level. An additional 25%, or approximately \$250,000, is at risk because it is not constitutionally guaranteed. Both of these issues are of significant concern to long-range revenue planning.

On the expenditure side, the recreation fund, building fund and neighborhood services fund, which supports the senior transportation program, have experienced both revenue losses and expenditure increases simultaneously. None of these three special revenue programs can continue as they have in the past several years because the revenue losses are permanent. Ultimately, the services will either have to be curtailed or significantly supported by general fund subsidies.

### **Capital Asset and Debt Administration**

**Capital assets.** The City of Plymouth's investment in capital assets for its governmental and business type activities as of June 30, 2006, amounts to \$20,498,697 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads and highways. The total decrease in the City of Plymouth's investment in capital assets for the current fiscal year was 2 percent (a 3 percent decrease for governmental activities and a 1 percent increase for business-type activities).

There were no significant capital asset changes during the current fiscal year. Because of the possibility of construction related to the Sheldon Road railroad underpass project, the City Commission, at the recommendation of the administration, held completion of the street construction program in abeyance during the 2005 construction season. At the conclusion of fiscal year 2005-06, there was \$1,657,656 available for remaining street construction and an additional \$644,883 held in reserve for costs associated with the Sheldon Road railroad project assuming approval of the project by all parties concerned. As of this writing, it appears that the railroad project will proceed beginning in December of 2006 requiring two years to complete. During budget deliberations in April for the 2006-07 budget, the City Commission authorized the commitment of final expenditures from the 2004 GO bond capital project fund to complete construction with remaining proceeds available from the \$12 million in bonds authorized by a vote of the public in November of 1996. Street reconstruction approved for the 2006 construction season included the following:

- South Union Street – Main Street to Penniman Avenue
- Blunk Street – Junction to Church Street
- Ann Street – Junction to William Street
- Pacific Avenue – Junction to William Street

Details to the City's capital assets are contained in the notes to the financial statements on pages 36-37.

**Long-term debt.** At the end of the current fiscal year, the City of Plymouth had total bonded and installment debt outstanding of \$11,413,219. Of this amount, \$9,138,219 comprises debt backed by the full faith and credit of the government and \$2,275,000 represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

Additional information on the City of Plymouth's long-term debt can be found in notes IV.D. and IV.E. on pages 40-47.

### **Economic Factors and Next Year's Budgets and Rates**

The economic climate for the State of Michigan remains bleak with one of the highest unemployment rates in the country and one of the few state economies showing little or no recovery from the recent recession. Economic problems affecting all three major US auto manufacturers and multiple bankruptcy proceedings involving many of their major suppliers continue to lead to stagnation of the Michigan and local economic recoveries. The loss of state shared revenues appears to have at least stabilized and the failure of proposal 5 on the November, 2006 ballot provides some hope that these revenues will not be further reduced by the state. In addition to these concerns, the state now also faces the replacement of the now extinct single business tax with a replacement tax which, hopefully, will not lead to further erosion of local tax bases or, at least, provide for a replacement of taxes lost with a revenue neutral stream to local municipalities.

For the upcoming fiscal year, the City Commission has approved the re-evaluation of all commercial and industrial property which will first impact 2007 assessment rolls and the state inflation factor applied to taxable valuation increases has taken a second annual significant increase moving from 2.3% in 2004 to 3.3% in 2005 and 3.7% for 2006. The city's operating millage rate for 2006 was maintained for the third consecutive year at 11.3834. The reduction in the debt millage rate from 2.65 mills to 2.42 mills was balanced by an equivalent increase in the rate for solid waste removal in order to provide a restoration of the popular brush removal program city wide. Overall, the city millage rate was unchanged from 2005. Based on these millage rates, the general fund reflects a healthy fund balance in addition to an anticipated available contingency of \$166,570 built into the 2006-07 budget.

Following a staff recommendation to maintain utility rates at existing levels for the new fiscal year, the City Commission, in order to cover proposed operational cost increases from Detroit and Wayne County proposed a moderate increase of slightly more than 2% from \$9.31 per thousand gallons to \$9.51 per thousand gallons and chose to delay the effective date of implementation of the rate increase until October 1, 2006.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Plymouth's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 201 S. Main Street, City of Plymouth, Plymouth, Michigan 48170.



## BASIC FINANCIAL STATEMENTS

**CITY OF PLYMOUTH**  
**Statement of Net Assets**  
**June 30, 2006**

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ 6,079,940	\$ 2,078,171	\$ 8,158,111	\$ 434,157
Investments	57,570	-	57,570	-
Receivables (net of allowance for uncollectibles)	510,191	1,080,924	1,591,115	26,900
Internal Balances	96,000	-	96,000	-
Due from Component Units	29,651	-	29,651	-
Due from Primary Government	-	-	-	14,519
Due from Other Governmental Units	327,493	-	327,493	-
Inventory	100,292	84,282	184,574	-
Prepaid Expenditures	22,734	-	22,734	250
Restricted Assets - Cash and Cash Equivalents	-	722,989	722,989	-
Capital Assets (Net of Accumulated Depreciation)	13,927,357	6,571,340	20,498,697	3,203,587
Intangible Assets	-	81,887	81,887	-
Total Assets	21,151,228	10,619,593	31,770,821	3,679,413
<b><u>LIABILITIES</u></b>				
Accounts Payable	253,615	215,452	469,067	77,767
Accrued Liabilities	237,430	71,912	309,342	52,773
Internal Balances	25,511	-	25,511	-
Due to Primary Government	-	-	-	29,651
Due to Component Unit	14,519	-	14,519	-
Deferred Revenue	-	-	-	412
Noncurrent Liabilities:				
Due within one year	1,250,907	150,000	1,400,907	225,000
Due in more than one year	7,047,312	2,965,000	10,012,312	525,000
Total Liabilities	8,829,294	3,402,364	12,231,658	910,603
<b><u>NET ASSETS</u></b>				
Invested in Capital Assets, net of related debt	5,883,213	3,456,340	9,339,553	2,453,587
Restricted for:				
Capital Projects	2,302,539	-	2,302,539	-
Debt Service	115,164	606,090	721,254	2,006
Other	483,671	-	483,671	-
Unrestricted	3,537,347	3,154,799	6,692,146	313,217
Total Net Assets	\$ 12,321,934	\$ 7,217,229	\$ 19,539,163	\$ 2,768,810

**CITY OF PLYMOUTH**  
**Statement of Activities**  
**For the Year Ended June 30, 2006**

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
<b><u>Functions/Programs</u></b>				
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 1,691,362	\$ 1,188,096	\$ 4,500	\$ 20,507
Public Safety	3,690,676	641,332	11,123	-
Public Works	2,032,315	511,763	546,623	-
Recreation and Cultural	1,509,623	955,948	91,125	-
Other	276,975	-	-	-
Interest on Long-Term Debt	401,151	-	-	-
Total Governmental Activities	<u>9,602,102</u>	<u>3,297,139</u>	<u>653,371</u>	<u>20,507</u>
Business-type Activities:				
Water and Sewer	<u>2,504,722</u>	<u>3,700,885</u>	<u>-</u>	<u>71,206</u>
Total Primary Government	<u>\$ 12,106,824</u>	<u>\$ 6,998,024</u>	<u>\$ 653,371</u>	<u>\$ 91,713</u>
<b>Component Unit:</b>				
Downtown Development Authority	<u>\$ 958,622</u>	<u>\$ 109,957</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:  
Property Taxes  
State Shared Revenues  
Unrestricted Investment Earnings  
Transfers  
Total General Revenues and Transfers

Change in Net Assets  
Net Assets - Beginning

Net Assets - Ending

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (478,259)	\$ -	\$ (478,259)	\$ -
(3,038,221)	-	(3,038,221)	-
(973,929)	-	(973,929)	-
(462,550)	-	(462,550)	-
(276,975)	-	(276,975)	-
(401,151)	-	(401,151)	-
<u>(5,631,085)</u>	<u>-</u>	<u>(5,631,085)</u>	<u>-</u>
 -	 1,267,369	 1,267,369	 -
 <u>(5,631,085)</u>	 <u>1,267,369</u>	 <u>(4,363,716)</u>	 <u>-</u>
  -	  -	  -	  (848,665)
 6,512,085	 -	 6,512,085	 1,048,971
864,611	-	864,611	-
336,273	80,701	416,974	28,226
42,249	(22,249)	20,000	(20,000)
<u>7,755,218</u>	<u>58,452</u>	<u>7,813,670</u>	<u>1,057,197</u>
 2,124,133	 1,325,821	 3,449,954	 208,532
<u>10,197,801</u>	<u>5,891,408</u>	<u>16,089,209</u>	<u>2,560,278</u>
 \$ <u>12,321,934</u>	 \$ <u>7,217,229</u>	 \$ <u>19,539,163</u>	 \$ <u>2,768,810</u>

**CITY OF PLYMOUTH**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2006**

	<u>General</u>	<u>2004 G.O. Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ 1,023,418	\$ 1,691,443	\$ 2,514,535	\$ 5,229,396
Investments	-	-	57,570	57,570
Receivables (net of allowance for uncollectibles):				
Taxes	256,859	-	-	256,859
Accounts	56,380	-	189,804	246,184
Due from Other Funds	133,602	-	10,475	144,077
Due from Component Unit	29,651	-	-	29,651
Due from Other Governmental Units	203,243	-	124,250	327,493
Inventory	18,389	-	37,355	55,744
Prepaid Expenditures	5,898	-	16,836	22,734
Total Assets	<u>\$ 1,727,440</u>	<u>\$ 1,691,443</u>	<u>\$ 2,950,825</u>	<u>\$ 6,369,708</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>				
Liabilities:				
Accounts Payable	\$ 113,818	\$ 33,787	\$ 93,173	\$ 240,778
Accrued and Other Liabilities	161,613	-	73,276	234,889
Due to Other Funds	35,986	-	37,602	73,588
Due to Component Unit	10,824	-	3,695	14,519
Total Liabilities	<u>322,241</u>	<u>33,787</u>	<u>207,746</u>	<u>563,774</u>
Fund Balances:				
Reserved for:				
Capital Projects	-	1,657,656	644,883	2,302,539
Debt Service	-	-	115,164	115,164
Other	44,551	-	439,120	483,671
Unreserved for:				
General Fund	1,360,648	-	-	1,360,648
Special Revenue Funds	-	-	1,543,912	1,543,912
Total Fund Balances	<u>1,405,199</u>	<u>1,657,656</u>	<u>2,743,079</u>	<u>5,805,934</u>
Total Liabilities and Fund Balances	<u>\$ 1,727,440</u>	<u>\$ 1,691,443</u>	<u>\$ 2,950,825</u>	

Amounts reported for governmental activities in the statement of net assets are difference because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	13,188,550
Internal Service Funds are used by management to charge the costs of motor pool to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	1,574,105
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(8,246,655)</u>
Net Assets of Governmental Activities	<u>\$ 12,321,934</u>

**CITY OF PLYMOUTH**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2006**

	<b>General</b>	<b>2004 G.O. Capital Project Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>Revenues</u></b>				
Property Taxes	\$ 4,702,002	\$ -	\$ 1,810,083	\$ 6,512,085
Licenses and Permits	3,348	-	362,671	366,019
Intergovernmental:				
Federal, State and Local	873,946	-	641,997	1,515,943
Charges for Services	667,895	-	1,204,830	1,872,725
Fines and Forfeitures	74,553	-	-	74,553
Interest and Rent	154,691	57,454	495,764	707,909
Other	542,071	-	67,306	609,377
Total Revenues	<u>7,018,506</u>	<u>57,454</u>	<u>4,582,651</u>	<u>11,658,611</u>
<b><u>Expenditures</u></b>				
Current:				
General Government	1,684,055	-	722	1,684,777
Public Safety	3,259,229	-	426,434	3,685,663
Public Works	440,265	-	1,285,704	1,725,969
Recreation and Cultural	64,652	-	1,382,869	1,447,521
Other	274,613	-	-	274,613
Debt Service:				
Principal	-	-	1,275,422	1,275,422
Interest and Other Charges	-	-	401,151	401,151
Capital Outlay	204,930	132,056	10,756	347,742
Total Expenditures	<u>5,927,744</u>	<u>132,056</u>	<u>4,783,058</u>	<u>10,842,858</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,090,762</u>	<u>(74,602)</u>	<u>(200,407)</u>	<u>815,753</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers In	15,591	-	596,508	612,099
Operating Transfers In - Component Unit	-	-	20,000	20,000
Transfers Out	(390,482)	-	(192,348)	(582,830)
Total Other Financing Sources and Uses	<u>(374,891)</u>	<u>-</u>	<u>424,160</u>	<u>49,269</u>
Net Change in Fund Balances	715,871	(74,602)	223,753	865,022
Fund Balances - Beginning	<u>689,328</u>	<u>1,732,258</u>	<u>2,519,326</u>	<u>4,940,912</u>
Fund Balances - Ending	<u>\$ 1,405,199</u>	<u>\$ 1,657,656</u>	<u>\$ 2,743,079</u>	<u>\$ 5,805,934</u>

**CITY OF PLYMOUTH**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2006**

Amounts reported for governmental activities in the statement of activities (page 14) are different because:

Net change in fund balances - total governmental funds (page 16)	\$ 865,022
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(248,696)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,333,841
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Internal service funds are used by management to charge the costs of fleet management and management information systems to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>173,966</u>
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Change in net assets in governmental activities (page 14)	\$ <u><u>2,124,133</u></u>
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**CITY OF PLYMOUTH**  
**Balance Sheet**  
**Proprietary Funds**  
**June 30, 2006**

	<b><u>Business Type Activity Enterprise Fund</u></b>	<b><u>Governmental Activities - Internal Service</u></b>
	<b><u>Water &amp; Sewer</u></b>	<b><u>Equipment Fund</u></b>
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and Cash Equivalents	\$ 2,078,171	\$ 850,544
Accounts Receivable	1,080,924	7,148
Inventory	84,282	44,548
Total Current Assets	<u>3,243,377</u>	<u>902,240</u>
Restricted Assets:		
Cash and Cash Equivalents:		
Debt Retirement	606,090	-
Construction	116,899	-
Total Restricted Assets	<u>722,989</u>	<u>-</u>
Property, Plant and Equipment:		
Water and Sewer Infrastructure	10,182,509	-
Machinery, Equipment and Vehicles	292,334	3,534,390
Accumulated Depreciation	<u>(3,903,503)</u>	<u>(2,795,583)</u>
Net Property, Plant and Equipment	<u>6,571,340</u>	<u>738,807</u>
Intangible Assets	<u>81,887</u>	<u>-</u>
Total Assets	\$ <u>10,619,593</u>	\$ <u>1,641,047</u>
<b><u>LIABILITIES AND EQUITY</u></b>		
Current Liabilities:		
Accounts Payable	\$ 215,452	\$ 12,837
Accrued Liabilities	71,912	2,541
Notes Payable	-	51,564
Bonds Payable	150,000	-
Total Current Liabilities	<u>437,364</u>	<u>66,942</u>
Long-Term Liabilities:		
Bonds Payable	<u>2,965,000</u>	<u>-</u>
Equity:		
Invested in Capital Assets, Net of Related Debt	3,456,340	687,243
Restricted	606,090	-
Unrestricted	3,154,799	886,862
Total Equity	<u>7,217,229</u>	<u>1,574,105</u>
Total Liabilities and Equity	\$ <u>10,619,593</u>	\$ <u>1,641,047</u>



**CITY OF PLYMOUTH**  
**Statement of Revenues, Expenses and Changes in Fund Equity**  
**Proprietary Funds**  
**For the Year Ended June 30, 2006**

	<b><u>Business Type Activity Enterprise Fund</u></b>	<b><u>Governmental Activities - Internal Service</u></b>
	<b><u>Water &amp; Sewer</u></b>	<b><u>Equipment Fund</u></b>
<b><u>Operating Revenues:</u></b>		
Charges for Services	\$ 3,700,885	\$ 13,210
Rental Income	-	852,165
Miscellaneous	-	24,698
Total Operating Revenues	<u>3,700,885</u>	<u>890,073</u>
<b><u>Operating Expenses:</u></b>		
Personal Services, Other and Administrative	393,522	513,599
Trunk and Lateral	161,670	-
Mains	165,853	-
Service Maintenance and Repairs	38,194	-
Sewage Disposal Charges	675,451	-
Purchased Water	504,564	-
Meter Maintenance	171,683	-
Hydrant Maintenance	9,822	-
Depreciation and Amortization	216,419	218,501
Total Operating Expenses	<u>2,337,178</u>	<u>732,100</u>
Operating Income	<u>1,363,707</u>	<u>157,973</u>
<b><u>Non-Operating Revenues (Expenses):</u></b>		
Interest Earned	80,701	25,375
Interest Expense	(167,544)	(2,362)
Total Non-Operating Revenues (Expenses)	<u>(86,843)</u>	<u>23,013</u>
Income before Operating Transfers	<u>1,276,864</u>	<u>180,986</u>
<b><u>Operating Transfers:</u></b>		
Operating Transfers in	3,561	-
Operating Transfers Out	(25,810)	(7,020)
Total Operating Transfers	<u>(22,249)</u>	<u>(7,020)</u>
Net Income	1,254,615	173,966
Capital Contributions	71,206	-
Fund Equity, Beginning	<u>5,891,408</u>	<u>1,400,139</u>
Fund Equity, Ending	<u>\$ 7,217,229</u>	<u>\$ 1,574,105</u>

**CITY OF PLYMOUTH**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2006**

	<b><u>Business Type Activity Enterprise Fund</u></b>	<b><u>Governmental Activities - Internal Service</u></b>
	<b><u>Water &amp; Sewer</u></b>	<b><u>Equipment Fund</u></b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Receipts from customers and users	\$ 3,701,554	\$ 30,760
Receipts from quasi-external transactions	-	852,165
Payments to suppliers	(1,775,950)	(303,881)
Payments to employees	(389,385)	(202,030)
Net Cash Provided by Operating Activities	<u>1,536,219</u>	<u>377,014</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>		
Net Transfer to other funds	<u>(22,249)</u>	<u>(7,020)</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>		
Capital Contributions	71,206	-
Purchases of Capital Assets	(266,263)	(52,585)
Principal Paid on Capital Debt	(145,000)	(82,596)
Interest Paid on Capital Debt	(159,274)	(2,362)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(499,331)</u>	<u>(137,543)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Interest Earned	<u>80,701</u>	<u>25,375</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,095,340	257,826
Cash and Cash Equivalents, Beginning	<u>1,705,820</u>	<u>592,718</u>
Cash and Cash Equivalents, Ending	\$ <u><u>2,801,160</u></u>	\$ <u><u>850,544</u></u>
<b><u>Balance Sheet Classifications:</u></b>		
Cash and Cash Equivalents	\$ 2,078,171	\$ 850,544
Restricted Assets - Cash and Cash Equivalents	<u>722,989</u>	<u>-</u>
Total	\$ <u><u>2,801,160</u></u>	\$ <u><u>850,544</u></u>
<b><u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</u></b>		
Operating Income	\$ 1,363,707	\$ 157,973
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	216,419	218,501
(Increase) Decrease in Receivables	669	(7,148)
(Increase) Decrease in Inventory	620	4,527
(Increase) Decrease in Prepaid Expense	250	-
Increase (Decrease) in Accounts Payable	(49,583)	4,778
Increase (Decrease) in Accrued Liabilities	4,137	(1,617)
Net Cash Provided by Operating Activities	\$ <u><u>1,536,219</u></u>	\$ <u><u>377,014</u></u>

**CITY OF PLYMOUTH**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2006**

	<b><u>Agency Funds</u></b>
<b><u>ASSETS</u></b>	
Cash	\$ 169,235
Due from Other Governmental Units	105,885
Due from Other Funds	<u>30,194</u>
Total Assets	<u>305,314</u>
 <b><u>LIABILITIES</u></b>	
Due to Other Funds	100,683
Due to Other	<u>204,631</u>
Total Liabilities	<u>305,314</u>
 <b>NET ASSETS</b>	 \$ <u><u>-</u></u>

CITY OF PLYMOUTH  
Notes to Financial Statements  
June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Plymouth was incorporated March 14, 1932, under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Commission-Manager form of government and provides the following services as authorized by its charter: public safety (police, fire, and inspection), highways and streets, sanitation, community development, culture-recreation, public improvements, planning and zoning, water and sewerage system, and general administrative services. It also operates a municipal cemetery.

As required by generally accepted accounting principles, these financial statements present the City of Plymouth and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units is combined with data of the primary government. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. Each blended and discretely presented component unit has a June 30, 2006 year end.

*Blended Component Units*

The City of Plymouth Municipal Building Authority is governed by a five (5) member Board appointed by the Mayor with City Commission approval. Although it is legally separate from the City, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings and parking structures.

*Discretely Presented Component Units*

The City of Plymouth Downtown Development Authority (DDA) Board is comprised of up to twelve (12) members appointed by the Mayor with City Commission approval. The DDA is responsible for the creation of a development and financing plan for the downtown district or a development area within the district to promote economic growth. The Authority must obtain City Commission approval of all development and financing plans. The annual operating budget and any modifications also require the approval of the Plymouth City Commission.

The City of Plymouth Economic Development Corporation (EDC) is governed by a nine (9) member board appointed by the Mayor with City Commission approval. The EDC was established to promote economic development within the City.

CITY OF PLYMOUTH  
Notes to Financial Statements  
June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A. Reporting Entity - Continued

*Discretely Presented Component Units – Continued*

The City of Plymouth Brownfield Redevelopment Authority (BRA) is comprised of a six (6) member board appointed by the Mayor with City Commission approval. The BRA was established to promote the revitalization of environmentally distressed areas of the City.

The above component units are discretely presented within the City financial statements because they are legally separate and financially accountable to the City. Financial accountability is demonstrated by the City Commission making the appointments to the respective boards, approving the annual operating budgets and any amendments of each component unit and approving development and financing plans of the EDC and DDA. Separate financial statements for these component units have not been prepared. (Condensed financial information represented below.)

**STATEMENT OF NET ASSETS - COMPONENT UNITS**

	<u>Downtown Development Authority</u>	<u>Other Governmental Funds</u>	<u>Total Component Units</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 429,905	\$ 4,252	\$ 434,157
Accounts Receivable	22,427	3,697	26,124
Receivables - Special Assessments	776	-	776
Due from Primary Government	3,695	10,824	14,519
Prepaid Expenses	250	-	250
Capital Assets (net of accumulated depreciation)	<u>3,203,587</u>	<u>-</u>	<u>3,203,587</u>
Total Assets	<u>3,660,640</u>	<u>18,773</u>	<u>3,679,413</u>
<b><u>LIABILITIES</u></b>			
Accounts Payable	77,767	-	77,767
Accrued Liabilities	52,773	-	52,773
Due to Primary Government	29,651	-	29,651
Deferred Revenue	412	-	412
Noncurrent Liabilities:			
Due within one year	225,000	-	225,000
Due in more than one year	<u>525,000</u>	<u>-</u>	<u>525,000</u>
Total Liabilities	<u>910,603</u>	<u>-</u>	<u>910,603</u>
<b><u>NET ASSETS</u></b>			
Invested in Capital Assets, (net of related debt)	2,453,587	-	2,453,587
Reserved for Debt Service	2,006	-	2,006
Unrestricted	<u>294,444</u>	<u>18,773</u>	<u>313,217</u>
Total Net Assets	<u>\$ 2,750,037</u>	<u>\$ 18,773</u>	<u>\$ 2,768,810</u>

CITY OF PLYMOUTH  
Notes to Financial Statements  
June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Reporting Entity - Continued

*Discretely Presented Component Units – Continued*

**STATEMENT OF ACTIVITIES - COMPONENT UNITS**

	<u>Downtown Development Authority</u>	<u>Other Governmental Funds</u>	<u>Total Component Units</u>
Expenses	\$ (901,474)	\$ (57,148)	\$ (958,622)
Program Revenues	109,957	-	109,957
Net Revenues	<u>(791,517)</u>	<u>(57,148)</u>	<u>(848,665)</u>
General Revenues:			
Property Taxes	985,893	63,078	1,048,971
Transfers to Primary Government	(20,000)	-	(20,000)
Unrestricted investment Earnings	<u>27,018</u>	<u>1,208</u>	<u>28,226</u>
Change in Net Assets	201,394	7,138	208,532
Net Assets-Beginning	<u>2,548,643</u>	<u>11,635</u>	<u>2,560,278</u>
Net Assets-Ending	<u>\$ 2,750,037</u>	<u>\$ 18,773</u>	<u>\$ 2,768,810</u>

*Joint Venture*

The City is a participant with the Charter Township of Plymouth in a joint venture to operate the Plymouth Community Fire Department (PCFD), which provides fire services for residents and businesses of both the City and Township. The intergovernmental agreement is considered a joint venture because the City has an ongoing financial interest and ongoing financial responsibility. Upon termination of this agreement, the City will receive an equipment equity interest equal to 25% of the net book value of the PCFD fixed assets at the termination date. The Township is responsible for the administration of the PCFD. By contract the City and the Township share in supporting the PCFD annual operations based on a cost-sharing formula, which is based on a number of factors including population, the average number of fire runs, and state equalized valuation (SEV). The City's annual operating contribution cannot fall below 25%. The City is also obligated to contribute 25% of the annual capital outlay and depreciation reserve expenses.

The City also participates in an intergovernmental service agreement with Plymouth Township for Community services (E911, Police Dispatch). The Township has sole ownership of the assets of the "Plymouth Community Communication Center" established by the agreement.

CITY OF PLYMOUTH  
Notes to Financial Statements  
June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days of

CITY OF PLYMOUTH  
Notes to Financial Statements  
June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Governmental Funds

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The 2004 General Obligation Capital Project Fund is a capital project fund used to account for the construction of various street and road improvements financed by the bond issue.

In addition, the City reports on the following fund types:

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or capital projects).

The debt service funds account for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The capital project funds are used to account for construction projects and their related revenue sources.



CITY OF PLYMOUTH  
Notes to Financial Statements  
June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Proprietary Fund

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds include the following fund types:

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the City Commission has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The City's enterprise fund is the Water and Sewer Fund, which is reported as a major fund.

Internal Service Funds account for operations that provide services to other departments or agencies of the City on a cost reimbursement basis. As these services predominantly benefit governmental rather than business-type functions, they have been included within the *governmental* activities in the government-wide financial statements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Fiduciary Funds

Fiduciary Funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. Fiduciary funds include the following fund types:

The Agency Funds are used to account for assets that the government holds for others in an agency capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

CITY OF PLYMOUTH  
Notes to Financial Statements  
June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as needed.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowances for uncollectible accounts, which are recorded at \$1,591,115 at June 30, 2006.

CITY OF PLYMOUTH  
Notes to Financial Statements  
June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Assets or Equity – Continued

3. Inventory

Inventories are valued at cost using the first-in/first out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

4. Restricted Assets

Resources for the debt service activity within the Water and Sewer Fund (Enterprise Fund) are segregated and classified as "Restricted Assets", and total \$722,989 at June 30, 2006.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15-30
Equipment	5-20
Infrastructure	15-30

6. Compensated Absences

In accordance with contracts negotiated with the various employee groups of the City, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under

CITY OF PLYMOUTH  
Notes to Financial Statements  
June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Liabilities and Net Assets or Equity – Continued

6. Compensated Absences – Continued

formulas and conditions specified in the contracts. All sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured. The long-term portion of compensated absences related to the governmental funds is a liability recorded in the Statement of Net Assets. The total liability at June 30, 2006 is \$254,075.

7. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Assets. Long-term liabilities expected to be financed from proprietary funds are reported as liabilities in those funds.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF PLYMOUTH  
Notes to Financial Statements  
June 30, 2006

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet And the Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$8,246,655 difference are as follows:

General Obligation Bonds Payable	\$7,992,580
Compensated Absences Payable	<u>254,075</u>
	<u>\$8,246,655</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$(248,696),404 difference are as follows:

Capital Outlay	\$ 347,742
Depreciation Expense	<u>(596,438)</u>
	<u>\$ (248,696)</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$1,333,841 difference are as follows:

Principal Repayments	\$1,275,422
Compensated Absences Decrease	<u>58,419</u>
	<u>\$1,333,841</u>

CITY OF PLYMOUTH  
Notes to Financial Statements  
June 30, 2006

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

1. The City is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The following is a summary of the requirements of this act:
  - a. Budgets must be adopted for the General and Special Revenue Funds.
  - b. Budgets must be balanced.
  - c. Budgets must be amended as necessary.
  - d. Public hearings must be held prior to adoption.
  - e. Expenditures cannot exceed budget appropriations.
  - f. Expenditures must be authorized by a budget appropriation prior to being incurred.
2. The City follows these procedures in establishing the budgetary data reflected in these financial statements:
  - a. At the first meeting in April, the City Manager submits to the City Commission the proposed operating budgets for the fiscal year commencing the following July 1. The operating budgets include proposed expenditures and the means of financing them, for the General, Special Revenue, Debt Service and Proprietary Fund Types.
  - b. Public hearings are conducted at City Hall to obtain taxpayer comments.
  - c. Prior to June 30, the budgets are legally enacted at the activity level for the General Fund and at the total fund expenditure level for the Special Revenue Funds through passage of a resolution.
  - d. Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
  - e. The City Manager is authorized to transfer amounts not to exceed 10% of the departmental budget between departmental (activity level) appropriation accounts.
  - f. Budget appropriations lapse at year end.
  - g. The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds.
  - h. Budgeted amounts are reported as originally adopted, or as amended by the City Commission.

CITY OF PLYMOUTH  
Notes to Financial Statements  
June 30, 2006

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balance

The City has no funds with deficit balances.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

The budgets for the General Fund and Special Revenue Fund are adopted at the activity level. Expenditures in excess of budget appropriations are as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Excess Expenditures Over Appropriations</u>
General Fund:			
Transfers Out	\$ 382,460	\$ 390,482	\$ 8,022
Recreation Fund	1,165,980	1,241,273	75,293

CITY OF PLYMOUTH  
Notes to Financial Statements  
June 30, 2006

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law, the City is permitted to invest in deposits with Michigan commercial banks, savings and loans and credit unions, obligations of the U.S. Treasury, and corporate bonds and commercial paper with certain investment grades.

The following information, as required by the Governmental Accounting Standards Board Statement Number 40, is presented regarding the City's deposits and investments:

Custodial Credit Risk. In the event of a bank failure, the City's deposits may not be recovered. Neither State law nor the City's investment policy requires consideration of custodial credit risk. As of June 30, 2006, the City's book balance of its deposits was \$9,048,660; the total book balance was \$9,050,335, due to \$1,675 in cash on hand. The bank balance was \$9,068,767 which was exposed to custodial credit risk, as follows:

		<u>Bank Balance</u>	
Insured by F.D.I.C.		\$ 200,000	
Uninsured and Uncollateralized		<u>8,868,767</u>	
Total		<u>\$9,068,767</u>	

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>FDIC Insured</u>
Downtown Development Authority	\$429,905	\$429,905	\$ -
Economic Development Corporation	-	-	-
Brownfield Redevelopment Authority	<u>4,252</u>	<u>4,252</u>	-
	<u>\$434,157</u>	<u>\$434,157</u>	<u>\$ -</u>

A reconciliation of cash to the accompanying financial statements follows:

Statement of Net Assets:	
Cash and Cash Equivalents	\$8,158,111
Restricted Assets-Cash	722,989
Fiduciary Fund:	
Cash	<u>169,235</u>
Total	<u>\$9,050,335</u>

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy does not further limit its investment choices.



CITY OF PLYMOUTH  
Notes to Financial Statements  
June 30, 2006

IV. DETAILED NOTES ON ALL FUNDS - Continued

A. Deposits and Investments - Continued

Interest Rate Risk. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270 day maturity. At year end, the average maturities of deposits are as follows:

<u>Deposits and Investments</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Primary Government:		
Savings and Checking Accounts	\$ 7,281,581	Demand
Pooled Investments	<u>1,787,186</u>	Demand
	<u>\$ 9,068,767</u>	
Trust Fund:		
Mutual Fund – Bonds	\$ 30,726	Not Available
Mutual Fund – Equity	<u>26,844</u>	N/A
	<u>\$ 57,570</u>	
Component Unit:		
Savings	<u>\$ 434,157</u>	Demand

Credit Risk. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Deposits and Investments</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Primary Government:			
Cash and Certificates of Deposits	\$ 6,714,208	N/A	N/A
Pooled Investments	<u>2,354,559</u>	Not Rated	
	<u>\$ 9,068,767</u>		
Trust Fund:			
Mutual Fund – Bonds	\$ 30,726	Not Available	
Mutual Funds – Equity	<u>26,844</u>	N/A	
	<u>\$ 57,570</u>		
Component Units:			
Savings	<u>\$ 434,157</u>	N/A	N/A

Concentration of Credit Risk. The City's investment policy places no limit on the amount the City may invest in any one issuer. The City does have more than 5% of its total investments in a single issuer:

Trust Fund – Munder Intermediate Bond Fund – 88%	\$27,057
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CITY OF PLYMOUTH  
Notes to Financial Statements  
June 30, 2006

IV. DETAILED NOTES ON ALL FUNDS - Continued

B. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, not depreciated:				
Land	\$ 1,243,808	\$ -	\$ -	\$ 1,243,808
Capital Assets, being depreciated:				
Building and Improvements	4,992,844	177,137	-	5,169,981
Machinery and Equipment	596,517	38,549	-	635,066
Infrastructure	10,897,114	132,056	-	11,029,170
Internal Service Fund	3,481,804	52,585	-	3,534,389
	<u>19,968,279</u>	<u>400,327</u>	<u>-</u>	<u>20,368,606</u>
Less: Accumulated Depreciation:				
Building and Improvements	(2,823,873)	(131,895)	-	(2,955,768)
Machinery and Equipment	(237,443)	(45,105)	-	(282,548)
Infrastructure	(1,231,721)	(419,438)	-	(1,651,159)
Internal Service Fund	(2,577,081)	(218,501)	-	(2,795,582)
	<u>(6,870,118)</u>	<u>(814,939)</u>	<u>-</u>	<u>(7,685,057)</u>
Governmental Activities Capital Assets, net	\$ <u>14,341,969</u>	\$ <u>(414,612)</u>	\$ <u>-</u>	\$ <u>13,927,357</u>

<u>Business-type Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, being depreciated:				
Water and Sewer Mains	\$ 9,951,194	\$ 266,263	\$ -	\$ 10,217,457
Equipment	257,386	-	-	257,386
	<u>10,208,580</u>	<u>266,263</u>	<u>-</u>	<u>10,474,843</u>
Less: Accumulated Depreciation:				
Water and Sewer Mains	(3,455,974)	(212,762)	-	(3,668,736)
Equipment	(231,110)	(3,657)	-	(234,767)
	<u>(3,687,084)</u>	<u>(216,419)</u>	<u>-</u>	<u>(3,903,503)</u>
Business Activities Capital Assets, net	\$ <u>6,521,496</u>	\$ <u>49,844</u>	\$ <u>-</u>	\$ <u>6,571,340</u>

CITY OF PLYMOUTH  
Notes to Financial Statements  
June 30, 2006

IV. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets – Continued

<u>Component Units:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, being depreciated:				
Equipment	\$ 36,501	\$ 60,190	\$ -	\$ 96,691
Infrastructure	<u>5,398,523</u>	<u>102,821</u>	<u>-</u>	<u>5,501,344</u>
	<u>5,435,024</u>	<u>163,011</u>	<u>-</u>	<u>5,598,035</u>
Less: Accumulated Depreciation:				
Equipment	(4,501)	(3,338)	-	(7,839)
Infrastructure	<u>(2,202,036)</u>	<u>(184,573)</u>	<u>-</u>	<u>(2,386,609)</u>
	<u>(2,206,537)</u>	<u>(187,911)</u>	<u>-</u>	<u>(2,394,448)</u>
Component Units				
Capital Assets, net	\$ <u>3,228,487</u>	\$ <u>(24,900)</u>	\$ <u>-</u>	\$ <u>3,203,587</u>

Depreciated expense was charged to functions of the primary government as follows:

General Government	\$ 65,004
Public Safety	5,013
Public Works	464,319
Recreation and Culture	62,102
Charged though internal service funds	<u>218,501</u>
	<u>\$ 814,939</u>

CITY OF PLYMOUTH  
Notes to Financial Statements  
June 30, 2006

IV. DETAILED NOTES ON ALL FUNDS – Continued

C. Interfund Receivables, Payables and Transfers

1. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2006, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Neighborhood Services Fund	\$ 15,000
	Budget Stabilization	2,124
	Building Fund	20,000
	Housing Agency	93,000
	Council on Aging Agency	3,000
	2006 L.T.G.O. Capital Improvement	478
		<u>133,602</u>
Major Streets	General Fund	<u>7,500</u>
Cemetery Trust Fund	General Fund	<u>2,975</u>
Property Tax Agency	General Fund	<u>25,511</u>
Fringe Benefits Fund	Payroll Agency Fund	<u>4,683</u>
Total		\$ <u><u>174,271</u></u>
Governmental Due to Governmental		\$ 48,077
Agency Due to Governmental		96,000
Governmental Due to Agency		25,511
Agency Due to Agency		<u>4,683</u>
		\$ <u><u>174,271</u></u>

Interfund balances represent uncleared short term advances at year end, arising in the normal course of business.

CITY OF PLYMOUTH  
Notes to Financial Statements  
June 30, 2006

IV. DETAILED NOTES ON ALL FUNDS - Continued

C. Interfund Receivables, Payables and Transfers – Continued

2. Interfund Transfers

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Local Streets	General Fund	\$ 78,940
Recreation	General Fund	244,630
2002 Capital Imp. Debt	General Fund	58,690
Major Streets	General Fund	7,700
2006 L.T.G.O. Capital Imp.	General Fund	522
		<u>390,482</u>
2002 Capital Imp. Debt	Major Streets	2,330
Local Streets	Major Streets	82,500
		<u>84,830</u>
2002 Capital Imp. Debt	Local Streets	3,500
2002 Capital Imp. Debt	Recreation Fund	10,540
2002 Capital Imp. Debt	Solid Waste	7,020
MTF Construction	Public Improvement	60,000
2002 Capital Imp. Debt	Building	2,330
General Fund	Cemetery Trust	15,591
2002 Capital Imp. Debt	2002 Capital Imp Con Fund	4,976
2002 Capital Imp. Debt	Equipment Fund	7,020
2002 Capital Imp. Debt	Water and Sewer	25,810
Water and Sewer	MTF Construction	3,561
Total		\$ <u>615,660</u>
Governmental Transferred to Governmental		\$ 579,269
Enterprise to Governmental		25,810
Governmental to Enterprise		3,561
Internal Service to Governmental		7,020
		\$ <u>615,660</u>

Transfers represent budgeted operating subsidies, funding for debt service, and required distribution of cemetery perpetual care funds.

CITY OF PLYMOUTH  
Notes to Financial Statements  
June 30, 2006

IV. DETAILED NOTES ON ALL FUNDS - Continued

D. Long-Term Debt

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2006:

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Balance Within 1 Year
Gov. Activities:					
G.O. Bonds	\$ 8,200,000	\$ -	\$ 860,000	\$ 7,340,000	\$ 905,000
Landfill Closure Act 99	193,002	-	65,422	127,580	69,343
M.B.A. Bonds	875,000	-	350,000	525,000	225,000
Comp. Absences	312,494	-	58,419	254,075	-
Act 99 Note-Equip.Fund	134,160	-	82,596	51,564	51,564
	<u>\$ 9,714,656</u>	<u>\$ -</u>	<u>\$ 1,416,437</u>	<u>\$ 8,298,219</u>	<u>\$ 1,250,907</u>
Business Type Activities:					
Rev. Bonds	\$ 2,385,000	\$ -	\$ 110,000	\$ 2,275,000	\$ 115,000
Bonds Payable	875,000	-	35,000	840,000	35,000
	<u>\$ 3,260,000</u>	<u>\$ -</u>	<u>\$ 145,000</u>	<u>\$ 3,115,000</u>	<u>\$ 150,000</u>
Component Unit					
D.D.A.	<u>\$ 950,000</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 750,000</u>	<u>\$ 225,000</u>

The following is a summary of general obligation debt outstanding (excluding compensated absences) of the City as of June 30, 2006:

	Number of Issues	Interest Rate	Maturing Through	Principal Outstanding
Governmental Activities:				
General Obligation Bonds	5	2.00%-4.75%	2019	\$ 7,340,000
Landfill Closure Act 99	1	5.86%	2008	127,580
Municipal Building Authority	2	4.55%-5.25%	2009	525,000
Act 99 Notes Equip. Fund	3	3.45%-5.30%	2009	51,564
Total Governmental Activities				<u>\$ 8,044,144</u>
Business Type Activities:				
Revenue Bonds Payable	4	4.70%-6.00%	2020	\$ 2,275,000
Bonds Payable	1	2.00%-5.00%	2024	840,000
Total Business Type Activities				<u>\$ 3,115,000</u>
Component Unit:				
Downtown Development Auth.	1	5.25%-5.70%	2010	<u>\$ 750,000</u>

CITY OF PLYMOUTH  
Notes to Financial Statements  
June 30, 2006

IV. DETAILED NOTES ON ALL FUNDS – Continued

D. Long Term Debt – Continued

The annual debt service requirements to maturity for debt outstanding as of June 30, 2006 are as follows:

<u>Year Ended</u>	<u>Governmental Activities</u>		<u>Business Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 1,250,907	\$ 163,110	\$ 150,000	\$ 156,005
2008	668,237	104,186	155,000	149,632
2009	635,000	87,428	160,000	142,809
2010	515,000	72,583	170,000	135,544
2011	540,000	62,755	180,000	127,446
2012-2016	2,600,000	172,775	1,025,000	495,875
2017-2021	1,835,000	9,500	1,145,000	207,156
2022-2024	-	-	130,000	6,500
	<u>\$ 8,044,144</u>	<u>\$ 672,337</u>	<u>\$ 3,115,000</u>	<u>\$ 1,420,967</u>

<u>Year Ended</u>	<u>Componet Units-DDA</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 225,000	\$ 36,044
2008	250,000	22,738
2009	275,000	7,838
	<u>\$ 750,000</u>	<u>\$ 66,620</u>

CITY OF PLYMOUTH  
Notes to Financial Statements  
June 30, 2006

IV. DETAILED NOTES ON ALL FUNDS – Continued

D. Long Term Debt – Continued

Significant details regarding outstanding long-term debt (including current portion) for the primary government are presented below:

General Obligation Bonds

Bonds payable at June 30, 2006 for the General Obligation debt of the City serviced from a Debt Service Fund is as follows:

\$4,995,000 Unlimited Tax General Obligation Street Bonds – Series 1997, dated March 1, 1997, due in annual installments ranging from \$515,000 to \$610,000 with interest ranging from 4.35% to 4.75%, payable semi-annually. The bonds are not callable prior to maturity. \$ 610,000

\$705,000 Unlimited Tax General Obligation Street Bonds – Series 1999, dated May 1, 1998, due in annual installments of \$100,000 with interest ranging from 4.05% to 4.60% payable semi-annually. 100,000

\$2,000,000 Unlimited Tax General Obligation Street Bonds Series 2002, dated June 1, 2002, due in annual installments ranging from \$175,000 to \$200,000, with interest ranging from 3.75% to 4.75%. Payable semi-annually in October and April. 1,670,000

\$970,000 Limited Tax General Obligation Capital Improvement Bonds, dated June 1, 2002, due in annual installments ranging from \$70,000 to \$130,000 with semi-annual interest payable October and April ranging from 2.00% to 4.00%. 660,000

\$4,300,000 Unlimited Tax General Obligation Street Bonds, Series 2006, dated June 1, 2004, due in annual installments ranging from \$250,000 to \$645,000, with semi-annual interest payable October and April from 3.50% to 4.350% 4,300,000

Total General Obligation Bonds \$ 7,340,000



CITY OF PLYMOUTH  
Notes to Financial Statements  
June 30, 2006

IV. DETAILED NOTES ON ALL FUNDS - Continued

D. Long Term Debt – Continued

On June 9, 2004, the City of Plymouth issued the Unlimited Tax General Obligation Street Bonds Series 2004, of \$4,300,000 to accomplish street improvements, and to advance refund the City's obligations remaining in the Michigan Transportation Bonds, Series 2001, which are considered defeased, and were removed from the City's financial statements.

Landfill Closure Loan-Act 99

\$750,000, installment loan payable, dated February 23, 1993, due in quarterly installments of \$18,877 including interest of 5.86% through May 23, 2008. The loan is serviced by the Solid Waste (Special Revenue) Fund.

\$ 127,580

Municipal Building Authority

The City of Plymouth is party to long-term lease agreements for rental of buildings and parking structures with the City of Plymouth Municipal Building Authority. The Building Authority was created in 1962, pursuant to the provisions of Public Act 31, for the purpose of financing and constructing City facilities.

The leases stipulate that fixed annual rentals will be paid to the Authority and such rentals are pledged exclusively for payment of principal and interest on revenue bonds issued by the Authority to finance the various projects. The lease agreements also provide that after all revenue bonds are retired, the fixed annual rentals will cease, and title to all buildings and structures shall vest in the City of Plymouth.

The City's full faith and credit is pledged for the payment of these rentals (subject to constitutional limitations). The lease agreements are essentially financing vehicles for the City of Plymouth to purchase buildings and structures. Under provisions of generally accepted accounting principles for these types of leases, the assets and related liabilities encompassed by the lease are included in the Balance Sheet of the lessee (City of Plymouth) as if these assets were purchased and financed by the lessee. These assets and liabilities are normally measured by the lesser of fair market value of the property at the inception of lease or present value of the minimum lease payments (discounted) at the lessee's incremental borrowing rate at the beginning of the

CITY OF PLYMOUTH  
Notes to Financial Statements  
June 30, 2006

IV. DETAILED NOTES ON ALL FUNDS - Continued

D. Long Term Debt – Continued

Municipal Building Authority - Continued

lease term. Since the minimum lease payments are the payments required to retire the debt, the assets are shown at fair market value at the inception of the lease (cost) and the related lease liabilities are the outstanding revenue bonds related to the leased assets.

Bonds payable at June 30, 2006 for the Municipal Building Authority, serviced from a Debt Service Fund are as follows:

\$1,500,000, 1993 Building Authority Refunding Bonds (City Hall Addition, Library Addition and Parking Structure Phase I), dated April 1, 1993, due in annual installments of \$100,000 through September 1, 2008, with interest increasing from 4.55% to 5.00%, payable semi-annually. Bonds maturing in the year 2006 and thereafter may be redeemed at the option of the Building Authority on any interest payment date on or after September 1, 2002, at no premium plus accrued interest up to the redemption date. \$ 225,000

\$2,665,000, 1995 Building Authority Refunding Bonds (DPW Services, 1987 and 1988 Building Authority and District Court) dated May 23, 1995, due in annual installments ranging from \$75,000 to \$275,000 through May 1, 2009, with interest increasing from 4.70% to 5.25%, payable semi-annually. The bonds are not subject to redemption prior to maturity. 300,000

Total Building Authority Bonds \$ 525,000

CITY OF PLYMOUTH  
Notes to Financial Statements  
June 30, 2006

IV. DETAILED NOTES ON ALL FUNDS - Continued

D. Long Term Debt – Continued

Municipal Building Authority - Continued

On May 23, 1995, the City, through the City of Plymouth Municipal Building Authority, defeased \$130,000 and \$1,035,000 of outstanding 1986 DPW Services Building Revenue Bonds and 1986 District Court Refunding Bonds and partially defeased \$550,000 and \$755,000 of the outstanding 1987 Building Authority Bonds Series A and 1988 Building Authority Bonds, by establishing an irrevocable trust with U.S. Government Securities sufficient to meet the annual installment principal obligations for maturities due subsequent to the year ending June 30, 1995 or 1996, as applicable and the associated semi-annual interest payments. Accordingly the trust account assets and liabilities for the defeased portions of the bond issues are not included in the City's financial statements. At June 30, 2006, bonds outstanding of \$655,000, \$425,000 and \$625,000 of the 1986 District Court Refunding, 1987 Building Authority Bonds Series and 1988 Building Authority issues, respectively, are considered defeased. The 1986 DPW Services Building Revenue Bond issue was paid in full during 1996.

On April 1, 1993, the City through the City of Plymouth Municipal Building Authority partially defeased \$305,000, \$805,000 and \$210,000 of the outstanding City Hall Addition, Parking Structure Phase I and Library Addition, respective bond issues, by establishing an irrevocable trust with U.S. Government Securities sufficient to meet the annual installment principal obligations for maturities due subsequent to the year ending June 30, 1993, and the associated semi-annual interest payments. Accordingly, the trust account assets and liabilities for the defeased portions of the bond issues are not included in the City's financial statements. At June 30, 2006, bonds outstanding of \$150,000 and \$655,000 of the City Hall Addition and Parking Structure Phase I, respectively, are considered defeased. The Library Addition bond issue was paid in full during 2001.

CITY OF PLYMOUTH  
Notes to Financial Statements  
June 30, 2006

IV. DETAILED NOTES ON ALL FUNDS - Continued

D. Long-Term Debt - Continued

Water and Sewer (Enterprise) Fund

Revenue Bonds

\$990,000 1999 Water Supply and Sewage Disposal System Revenue Bonds, Series A, dated May 1, 1999, due in annual installments increasing from \$10,000 to \$90,000 through February 1, 2019, with interest ranging from 4.70% to 5.15%, payable semi-annually. \$ 915,000

\$710,000 1999 Water Supply and Sewage Disposal System Revenue Bonds, Series B, dated June 1, 1999, due in annual installments increasing from \$25,000 to \$50,000 through February 1, 2019, with interest ranging from 4.30% and 5.375%, payable semi-annually. 515,000

\$995,000 2000 Water Supply and Sewage Disposal System Revenue Bonds, Series C, dated January 1, 2000, due in annual installments increasing from \$25,000 to \$225,000 through February 1, 2020, with interest ranging from 4.90% to 6.00%, payable semi-annually. 845,000

Capital Improvement, General Obligation Bonds

\$910,000, 2003 Capital Improvement Bonds, dated August 1, 2003, due in annual installments ranging from \$35,000 to \$65,000, through August 1, 2012, with interest ranging from 2.0% to 5.0%. 840,000

\$3,115,000

Equipment (Internal Service) Fund

Act 99 Installment Note

\$257,816 Capital lease obligation to finance the purchase of a "Vactor" dated July 18, 2002, due in 5 annual installments of \$51,563 plus interest of 3.45%, beginning September 1, 2002. \$ 51,564

CITY OF PLYMOUTH  
Notes to Financial Statements  
June 30, 2006

IV. DETAILED NOTES ON ALL FUNDS – Continued

D. Long-Term Debt - Continued

Significant details regarding outstanding long-term debt (including current portion) for the component units are presented below:

Downtown Development Authority

\$2,400,000, 1994 Downtown Development Limited Tax General Obligation Bonds, dated August 1, 1994, due in annual installments increasing from \$200,000 to \$275,000 through January 1, 2009, with interest increasing from 5.05% to 5.70%, payable semi-annually. Bonds maturing in the year 2006 and thereafter may be redeemed at the option of the Authority on any interest payment date on or after January 1, 2006, at par value plus accrued interest to the redemption date.

\$ 750,000

E. Capital Leases

The City of Plymouth has entered into various lease purchase agreements with the Municipal Building Authority to finance the construction of certain buildings and structures. These lease agreements qualify as capital leases for accounting purposes.

The City has entered into an agreement with the Municipal Building Authority, and the 35<sup>th</sup> District Court. The Building Authority financed construction of the District Court Building through the issuance of bonds. The buildings have been sublet by the City to the 35<sup>th</sup> District Court for cash rental sufficient to retire the bonds. The arrangements strictly between the City and the Building Authority require the City to make rental payments to the Building Authority to satisfy the annual debt service requirements for the buildings and structures involved.

Commitments under these lease agreements provide for minimum annual payments summarized as follows:

<u>Year Ended June 30</u>	<u>1993 &amp; 1995 Refunding Issues</u>		
	<u>City</u>	<u>District Court</u>	<u>Total</u>
2007	\$ 244,467	\$ 5,658	\$ 250,125
Later Years	<u>319,313</u>	<u>-</u>	<u>319,313</u>
Total Minimum Lease Payments	563,780	5,658	569,438
Less: Interest	<u>(43,942)</u>	<u>(496)</u>	<u>(44,438)</u>
Capitalized Lease Receivable	<u>\$ 519,838</u>	<u>\$ 5,162</u>	<u>\$ 525,000</u>

CITY OF PLYMOUTH  
Notes to Financial Statements  
June 30, 2006

IV. DETAILED NOTES ON ALL FUNDS – Continued

F. Reserved Fund Balance

A detailed description of fund balance reservations and designations (for all governmental fund types) at June 30, 2006, is presented below:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Cemetery Trust</u>
<u>Fund Balance</u>					
Reserved For:					
Capital Projects	\$ -	\$ -	\$ -	\$ 2,302,539	\$ -
Debt Service	-	-	115,164	-	-
Cemetery Trust	-	-	-	-	417,040
Long Term Receivables	<u>44,551</u>	<u>22,080</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Reserved	44,551	22,080	115,164	2,302,539	417,040
Unreserved:					
Undesignated	<u>1,360,648</u>	<u>1,543,912</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>\$1,405,199</u>	<u>\$1,565,992</u>	<u>\$115,164</u>	<u>\$2,302,539</u>	<u>\$ 417,040</u>

G. Property Taxes

Property taxes are assessed as of each December 31. The City tax levy is billed on July 1 of the following year, and payable in eight installments through February. Taxes are considered delinquent on March 1, at which time the applicable property is subject to lien and penalty and interest is assessed. The maximum authorized operating levy for the City is 15 mills prior to "rollback" required by State laws, and additional amounts for Solid Waste as provided by State law. The City also levies voter approved amounts for general obligation debt. The City's tax levy for the 2004 tax roll is as follows (tax rate per \$1,000 of assessed valuation):

	<u>Tax Rate</u>
General Operating	11.3834
Refuse	1.7400
General Obligation Debt	<u>2.6500</u>
Total	<u>15.7734</u>

CITY OF PLYMOUTH  
Notes to Financial Statements  
June 30, 2006

V. OTHER INFORMATION

A. Employee Retirement Systems and Plans

1. Municipal Employees Retirement System Defined Benefit Plan

a. Plan Description

The City of Plymouth participates in the Municipal Employees Retirement System (MERS), a multiple employer state-wide, public employee defined benefit pension plan created under Public Act 135 of 1945, and now operates under Public Act 220 of 1996, and the MERS Plan Document as revised. MERS was established to provide retirement, survivor and disability benefits on a voluntary basis to the State of Michigan's local government employees. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefits provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

b. Funding Policy

The plan adopted by the City Commission requires no member contributions. The City is required to contribute at an actuarially determined rate. Since the plan is closed to new participants, rates are not at percentages of payroll, rather fixed amounts per division determined by actuarial valuations. The contribution requirements of plan members and the City are established and may be amended by the City, depending on the MERS contribution program adopted by the City.

c. Annual Pension Costs

For fiscal year 2006, the City's annual pension cost of \$173,069 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0% (b) projected salary increases of 5.0% per year compounded annually, attributable to inflation (c) additional projected salary increases ranging from 0.0% to 8.66% per year, depending on age, attributable to seniority/merit and (d) the assumption that benefits will increase 2.5% annually for employees under benefit E-1 or E-2. The actuarial value of MERS assets was determined on the basis of an

CITY OF PLYMOUTH  
Notes to Financial Statements  
June 30, 2006

V. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

1. Municipal Employees Retirement System Defined Benefit Plan – Continued

c. Annual Pension Costs – Continued

evaluation method that assumes the funds earn the expected rate of return an adjustment to reflect market value. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years.

**Three-Year Trend Information**

<u>Fiscal Year Ended June 30</u>	<u>Annual Pension Costs (APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
2004	\$222,781	100%	\$ -
2005	252,266	100%	-
2006	173,069	100%	-

2. Defined Contribution Plan

a. Plan Description

The City of Plymouth contributes to the City of Plymouth defined contribution plan, which is a defined contribution money purchase pension plan. The plan is administered by the ICMA Retirement Corporation (ICMA) who sponsors the prototype plan. Amendments are developed by ICMA and submitted to the City Commission for approval.

A defined contribution money purchase pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. All employees hired on or after March 31, 1999 are eligible to participate in the plan. Contributions made by the City or an employee vest immediately.

b. Contributions Required and Contributions Made

The City contributes 15% of gross pay for each eligible employee. During the year, the City's required and actual contributions amounted to \$432,181.



CITY OF PLYMOUTH  
Notes to Financial Statements  
June 30, 2006

V. OTHER INFORMATION – Continued

B. Post Retirement Health Care Benefits

In addition to providing pension benefits, the City provides certain health care insurance benefits to all full time employees of the City. All eligible full time employees who retire at normal retirement age are entitled to receive these benefits during their retirement. Currently 59 retirees are covered by this plan. These benefits are expensed in the year paid, on a pay-as-you-go basis. For the year ended June 30, 2006, these costs amounted to approximately \$582,526. The basis for these payments are the agreements with employee groups through collective bargaining as well as the City's personnel policy.

C. Risk Management

The City purchases insurance coverage through traditional means. The City's property and liability and workers compensation coverages are on file in the Risk Manager's office.

The City has contracted with Blue Cross and Blue Shield of Michigan to administer a self-funded health insurance program. Under the plan, the City pays a fixed administrative and reinsurance fee, and self-insures claims within plan limits. The plan has a \$50,000 specific stop-loss limit per insured (contract), and an annual aggregate stop-loss maximum (for the City as a total) in the amount of \$1,167,054, plus administrative cost on October 1 to September 30, year end, which represented the City's maximum cost exposure under the plan, subject to \$1,000,000 limitation. Claims in excess of the individual stop-loss or aggregate stop-loss limits are covered under the reinsurance coverage.

Changes in the balance of claim liability during the past year are as follows:

Unpaid claims at beginning of year	\$ 98,321
Incurred claims (including IBNRs)	1,199,239
Claims Paid	<u>(1,110,988)</u>
Unpaid claims, at end of year	<u>\$ 186,572</u>

D. Contingencies

1. Landfill Closure

The City of Plymouth owns a Solid Waste Landfill located in Salem Township. The landfill was closed and capped during the 1960's to meet the standards and requirements of that time period.

CITY OF PLYMOUTH  
Notes to Financial Statements  
June 30, 2006

V. OTHER INFORMATION – Continued

D. Contingencies – Continued

1. Landfill Closure – Continued

Since that time, post closure monitoring of the Landfill by the City and the Michigan Department of Natural Resources have identified problems with the deterioration of the clay cap and blockage of a storm drain that runs through the landfill. The City received a \$600,000 grant award to partially finance the costs of installing additional ventilation wells in the landfill and grouting out the 30 inch drainage pipe that runs through the landfill. In addition to this Landfill Closure DNR grant, the City borrowed \$750,000 to finance the total projected project costs of \$1,350,000.

During the procedure to eliminate the blockage to the drainage pipe, it was noted that the pipe had settled in certain sections making the grouting of the pipe impossible. The City and the DNR agreed upon a solution to route a storm sewer around the perimeter of the landfill. The project was completed in 1996 and the City was granted certification from the DNR.

The cumulative landfill closure costs incurred through June 30, 2006, amounts to \$2,286,127 reported within the Solid Waste (Special Revenue) Fund. Additionally cumulative interest expenditures of \$165,995 relating to the \$750,000 landfill closure loan through June 30, 2006, have been reflected in the Solid Waste Fund. The landfill closure obligation is considered to be satisfied at June 30, 2006. However, the City has the responsibility of monitoring the landfill site in the future and the potential for unforeseen closure costs could materialize. In the opinion of City Management the liability, if any, would not be material.

2. Other Matters

There are various other legal actions pending against the City. Due to the inconclusive nature of many of the actions, it is not possible to determine the probable outcome or a reasonable estimate of the City's potential liability, if any.

E. Subsequent Event

On August 1, 2006, the City issued general obligation sewer bonds totaling \$955,000 to finance civic improvements. The bonds have interest rates ranging from 4.0 % to 4.25 % and are payable through 2016.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PLYMOUTH  
Required Supplementary Information – (Unaudited)  
Defined Benefit Pension Plans – Trend Information  
For the Year Ended June 30, 2006

Municipal Employees Retirement System  
Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/97	\$12,702,595	\$15,985,089	\$3,282,494	79%	\$ 2,921,890	112%
12/31/98	14,063,485	17,028,501	2,965,016	83%	2,895,219	102%
12/31/99	11,907,602	14,165,659	2,258,057	84%	1,226,401	184%
12/31/00	10,365,016	14,556,753	4,191,737	71%	975,470	430%
12/31/01	10,538,432	14,748,826	4,210,394	71%	980,579	429%
12/31/02	10,271,793	15,032,157	4,760,364	68%	945,511	503%
12/31/03	10,396,593	15,571,073	5,174,480	67%	747,597	692%
12/31/04	10,261,033	16,451,988	6,190,955	62%	640,031	967%
12/31/05	9,980,974	16,610,385	6,629,411	60%	474,546	1397%

The information presented above was determined as part of the actuarial valuations at the dates indicated.

Additional information as of December 31, 2005, the latest actual valuation, follows:

Actuarial cost method	Entry age normal cost
Amortization method	Level percent
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	4.50%
Includes inflation at 4.5%	
Cost of living adjustments	None

**CITY OF PLYMOUTH**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2006**

	<b>Budgeted Amounts</b>			<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
Revenues:				
Property Taxes	\$ 4,709,200	\$ 4,693,200	\$ 4,702,002	\$ 8,802
Licenses and Permits	7,500	3,000	3,348	348
Intergovernmental - State	882,760	890,160	873,946	(16,214)
Charges for Services	675,620	647,550	667,895	20,345
Fines and Forfeitures	50,000	59,950	74,553	14,603
Interest Earnings	26,000	150,000	154,691	4,691
Other Revenues	489,680	699,570	542,071	(157,499)
Total Revenues	6,840,760	7,143,430	7,018,506	(124,924)
Expenditures:				
General Government:				
City Commission	67,380	73,880	67,184	6,696
City Manager	251,660	269,960	262,458	7,502
Attorney	153,480	157,980	124,609	33,371
Finance	491,990	519,890	480,784	39,106
Clerk/Elections	222,170	212,370	178,836	33,534
Management Information Services	146,130	147,130	144,185	2,945
City Hall and Grounds	344,930	302,980	275,096	27,884
Cemetery	167,020	169,420	150,903	18,517
	1,844,760	1,853,610	1,684,055	169,555
Public Safety:				
Police	2,364,910	2,381,440	2,354,676	26,764
Fire	979,040	1,025,500	904,553	120,947
	3,343,950	3,406,940	3,259,229	147,711
Public Works	515,530	570,620	440,265	130,355
Recreation and Cultural-Special Events	116,730	109,530	64,652	44,878
Other	342,190	313,690	274,613	39,077
Capital Outlay	196,150	409,150	204,930	204,220
Reserve for Contingencies	128,140	112,580	-	112,580
Total Expenditures	6,487,450	6,776,120	5,927,744	848,376
Excess (Deficiency) of Revenues Over Expenditures	353,310	367,310	1,090,762	723,452
<b><u>Other Financing Sources (Uses):</u></b>				
Operating Transfers In	5,150	15,150	15,591	441
Operating Transfers Out	(358,460)	(382,460)	(390,482)	(8,022)
Total Other Financing Sources (Uses)	(353,310)	(367,310)	(374,891)	(7,581)
Net Change in Fund Balance	-	-	715,871	715,871
Fund Balance - Beginning	689,328	689,328	689,328	-
Fund Balance - Ending	\$ 689,328	\$ 689,328	\$ 1,405,199	\$ 715,871

**CITY OF PLYMOUTH**  
**Combining Balance Sheet**  
**Non Major Governmental Funds**  
**June 30, 2006**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent Funds Cemetery Care</u>	<u>Total Nonmajor Governmental Funds</u>
<b><u>ASSETS</u></b>					
Cash and Cash Equivalents	\$ 1,397,765	\$ 114,914	\$ 645,361	\$ 356,495	\$ 2,514,535
Investments	-	-	-	57,570	57,570
Accounts Receivable	189,804	-	-	-	189,804
Due from Other Funds	7,500	-	-	2,975	10,475
Due from Other Governmental Units	124,250	-	-	-	124,250
Inventory	37,355	-	-	-	37,355
Prepaid Expenditures	16,586	250	-	-	16,836
Total Assets	<u>\$ 1,773,260</u>	<u>\$ 115,164</u>	<u>\$ 645,361</u>	<u>\$ 417,040</u>	<u>\$ 2,950,825</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>					
Liabilities:					
Accounts Payable	\$ 93,173	\$ -	\$ -	\$ -	\$ 93,173
Accrued and Other Liabilities	73,276	-	-	-	73,276
Due to Other Funds	37,124	-	478	-	37,602
Due to Component Units	3,695	-	-	-	3,695
Total Liabilities	<u>207,268</u>	<u>-</u>	<u>478</u>	<u>-</u>	<u>207,746</u>
Fund Balance:					
Reserved for :					
Capital Projects	-	-	644,883	-	644,883
Debt Service	-	115,164	-	-	115,164
Other	22,080	-	-	417,040	439,120
Unreserved	1,543,912	-	-	-	1,543,912
Total Fund Balance	<u>1,565,992</u>	<u>115,164</u>	<u>644,883</u>	<u>417,040</u>	<u>2,743,079</u>
Total Liabilities and Fund Balance	<u>\$ 1,773,260</u>	<u>\$ 115,164</u>	<u>\$ 645,361</u>	<u>\$ 417,040</u>	<u>\$ 2,950,825</u>

**CITY OF PLYMOUTH**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Non Major Governmental Funds**  
**For the Year Ended June 30, 2006**

	Special Revenue	Debt Service	Capital Projects	Permanent Funds Cemetery Care	Total Nonmajor Governmental Funds
<b><u>Revenues:</u></b>					
Taxes	\$ 715,056	\$ 1,095,027	\$ -	\$ -	\$ 1,810,083
Licenses and Permits	362,671	-	-	-	362,671
Intergovernmental	641,997	-	-	-	641,997
Charges for Services	1,194,818	-	-	10,012	1,204,830
Interest and Rent	32,052	426,475	21,646	15,591	495,764
Other	54,845	12,461	-	-	67,306
Total Revenues	<u>3,001,439</u>	<u>1,533,963</u>	<u>21,646</u>	<u>25,603</u>	<u>4,582,651</u>
<b><u>Expenditures:</u></b>					
General Government	200	-	522	-	722
Public Safety	426,434	-	-	-	426,434
Public Works	1,285,704	-	-	-	1,285,704
Recreation and Cultural	1,382,869	-	-	-	1,382,869
Debt Service:					
Principal	65,422	1,210,000	-	-	1,275,422
Interest and Other Charges	10,086	391,065	-	-	401,151
Capital Outlay	9,325	-	1,431	-	10,756
Total Expenditures	<u>3,180,040</u>	<u>1,601,065</u>	<u>1,953</u>	<u>-</u>	<u>4,783,058</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(178,601)</u>	<u>(67,102)</u>	<u>19,693</u>	<u>25,603</u>	<u>(200,407)</u>
<b><u>Other Financing Sources (Uses):</u></b>					
Operating Transfers In	413,770	122,216	60,522	-	596,508
Operating Transfers In - Component Unit	20,000	-	-	-	20,000
Operating Transfers Out	(168,220)	-	(8,537)	(15,591)	(192,348)
Total Other Financing Sources (Uses)	<u>265,550</u>	<u>122,216</u>	<u>51,985</u>	<u>(15,591)</u>	<u>424,160</u>
Net Change in Fund Balances	86,949	55,114	71,678	10,012	223,753
Fund Balance, July 1	<u>1,479,043</u>	<u>60,050</u>	<u>573,205</u>	<u>407,028</u>	<u>2,519,326</u>
Fund Balance, June 30	<u>\$ 1,565,992</u>	<u>\$ 115,164</u>	<u>\$ 644,883</u>	<u>\$ 417,040</u>	<u>\$ 2,743,079</u>

**City of Plymouth**  
**Non Major Special Revenue Funds**  
**Combining Balance Sheet**  
**June 30, 2006**

	<b><u>Major Street</u></b>	<b><u>Local Street</u></b>	<b><u>Recreation Fund</u></b>	<b><u>Solid Waste</u></b>	<b><u>Budget Stabilization</u></b>	<b><u>Public Improvement</u></b>
<b><u>ASSETS</u></b>						
Cash and Cash Equivalents	\$ 352,330	\$ 28,617	\$ 54,602	\$ 126,522	\$ 552,124	\$ 78,000
Accounts Receivable	-	-	22,080	67,076	-	5,000
Due From Other Governmental Units	58,882	23,961	15,970	-	-	-
Due From Other Funds	7,500	-	-	-	-	-
Inventory	16,238	17,580	2,546	991	-	-
Prepaid Expenditures	-	-	16,586	-	-	-
Total Assets	\$ <u>434,950</u>	\$ <u>70,158</u>	\$ <u>111,784</u>	\$ <u>194,589</u>	\$ <u>552,124</u>	\$ <u>83,000</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>						
Liabilities:						
Accounts Payable	\$ 3,456	\$ 4,338	\$ 48,968	\$ 30,674	\$ -	\$ -
Accrued and Other Liabilities	757	2,435	9,951	3,848	-	-
Due to Other Funds	-	-	-	-	2,124	-
Due to Component Units	-	-	3,695	-	-	-
Total Liabilities	<u>4,213</u>	<u>6,773</u>	<u>62,614</u>	<u>34,522</u>	<u>2,124</u>	<u>-</u>
Fund Balance:						
Reserved for:						
Non Current Receivable	-	-	22,080	-	-	-
Unreserved:						
Undesignated	<u>430,737</u>	<u>63,385</u>	<u>27,090</u>	<u>160,067</u>	<u>550,000</u>	<u>83,000</u>
Total Fund Balance	<u>430,737</u>	<u>63,385</u>	<u>49,170</u>	<u>160,067</u>	<u>550,000</u>	<u>83,000</u>
Total Liabilities and Fund Balance	\$ <u>434,950</u>	\$ <u>70,158</u>	\$ <u>111,784</u>	\$ <u>194,589</u>	\$ <u>552,124</u>	\$ <u>83,000</u>



<u>Parking</u>	<u>Neighborhood Services</u>	<u>Drug Enforcment</u>	<u>Building</u>	<u>Youth Advisor</u>	<u>OWI Forfeiture</u>	<u>Total</u>
\$ 172,614	\$ 3,699	\$ 7,867	\$ 7,003	\$ 1,663	\$ 12,724	\$ 1,397,765
-	3,278	-	92,370	-	-	189,804
-	25,437	-	-	-	-	124,250
-	-	-	-	-	-	7,500
-	-	-	-	-	-	37,355
-	-	-	-	-	-	16,586
<u>\$ 172,614</u>	<u>\$ 32,414</u>	<u>\$ 7,867</u>	<u>\$ 99,373</u>	<u>\$ 1,663</u>	<u>\$ 12,724</u>	<u>\$ 1,773,260</u>
\$ -	\$ 177	\$ -	\$ 5,402	\$ -	\$ 158	\$ 93,173
-	3,007	-	53,278	-	-	73,276
-	15,000	-	20,000	-	-	37,124
-	-	-	-	-	-	3,695
-	18,184	-	78,680	-	158	207,268
-	-	-	-	-	-	22,080
172,614	14,230	7,867	20,693	1,663	12,566	1,543,912
<u>172,614</u>	<u>14,230</u>	<u>7,867</u>	<u>20,693</u>	<u>1,663</u>	<u>12,566</u>	<u>1,565,992</u>
<u>\$ 172,614</u>	<u>\$ 32,414</u>	<u>\$ 7,867</u>	<u>\$ 99,373</u>	<u>\$ 1,663</u>	<u>\$ 12,724</u>	<u>\$ 1,773,260</u>

**City of Plymouth**  
**Non Major Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2006**

	<u>Major Street</u>	<u>Local Street</u>	<u>Recreation Fund</u>	<u>Solid Waste</u>	<u>Budget Stabilization</u>	<u>Public Improvement</u>
<b><u>Revenues:</u></b>						
Taxes	\$ -	\$ -	\$ -	\$ 715,056	\$ -	\$ -
Licenses and Permits	-	-	-	-	-	-
Intergovernmental	356,604	145,115	19,115	-	-	-
Charges for Services	-	-	962,988	229,645	-	-
Interest and Rent	8,606	206	-	13,114	-	2,841
Other	-	-	-	14,001	-	25,008
Total Revenues	<u>365,210</u>	<u>145,321</u>	<u>982,103</u>	<u>971,816</u>	<u>-</u>	<u>27,849</u>
<b><u>Expenditures:</u></b>						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Public Works	139,369	291,223	-	853,533	-	-
Recreation and Cultural	-	-	1,230,733	-	-	-
Debt Service:						
Principal	-	-	-	65,422	-	-
Interest and Other Charges	-	-	-	10,086	-	-
Capital Outlay	-	-	-	-	-	7,909
Total Expenditures	<u>139,369</u>	<u>291,223</u>	<u>1,230,733</u>	<u>929,041</u>	<u>-</u>	<u>7,909</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>225,841</u>	<u>(145,902)</u>	<u>(248,630)</u>	<u>42,775</u>	<u>-</u>	<u>19,940</u>
<b><u>Other Financing Sources (Uses):</u></b>						
Operating Transfers In	7,700	161,440	244,630	-	-	-
Operating Transfers In - Component Unit	-	-	-	-	-	20,000
Operating Transfers Out	<u>(84,830)</u>	<u>(3,500)</u>	<u>(10,540)</u>	<u>(7,020)</u>	<u>-</u>	<u>(60,000)</u>
Total Other Financing Sources (Uses)	<u>(77,130)</u>	<u>157,940</u>	<u>234,090</u>	<u>(7,020)</u>	<u>-</u>	<u>(40,000)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>148,711</u>	<u>12,038</u>	<u>(14,540)</u>	<u>35,755</u>	<u>-</u>	<u>(20,060)</u>
Fund Balance, July 1	<u>282,026</u>	<u>51,347</u>	<u>63,710</u>	<u>124,312</u>	<u>550,000</u>	<u>103,060</u>
Fund Balance, June 30	<u>\$ 430,737</u>	<u>\$ 63,385</u>	<u>\$ 49,170</u>	<u>\$ 160,067</u>	<u>\$ 550,000</u>	<u>\$ 83,000</u>

<u>Parking</u>	<u>Neighborhood Services</u>	<u>Drug Enforcement</u>	<u>Building</u>	<u>Youth Advisor</u>	<u>OWI Forfeiture</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 715,056
-	-	-	362,671	-	-	362,671
-	121,163	-	-	-	-	641,997
-	2,185	-	-	-	-	1,194,818
5,986	100	249	549	56	345	32,052
-	-	1,323	-	382	14,131	54,845
<u>5,986</u>	<u>123,448</u>	<u>1,572</u>	<u>363,220</u>	<u>438</u>	<u>14,476</u>	<u>3,001,439</u>
-	-	-	-	200	-	200
-	-	440	418,991	-	7,003	426,434
-	1,579	-	-	-	-	1,285,704
-	152,136	-	-	-	-	1,382,869
-	-	-	-	-	-	65,422
-	-	-	-	-	-	10,086
-	-	-	1,416	-	-	9,325
<u>-</u>	<u>153,715</u>	<u>440</u>	<u>420,407</u>	<u>200</u>	<u>7,003</u>	<u>3,180,040</u>
<u>5,986</u>	<u>(30,267)</u>	<u>1,132</u>	<u>(57,187)</u>	<u>238</u>	<u>7,473</u>	<u>(178,601)</u>
-	-	-	-	-	-	413,770
-	-	-	-	-	-	20,000
-	-	-	(2,330)	-	-	(168,220)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,330)</u>	<u>-</u>	<u>-</u>	<u>265,550</u>
5,986	(30,267)	1,132	(59,517)	238	7,473	86,949
<u>166,628</u>	<u>44,497</u>	<u>6,735</u>	<u>80,210</u>	<u>1,425</u>	<u>5,093</u>	<u>1,479,043</u>
\$ <u>172,614</u>	\$ <u>14,230</u>	\$ <u>7,867</u>	\$ <u>20,693</u>	\$ <u>1,663</u>	\$ <u>12,566</u>	\$ <u>1,565,992</u>

**City of Plymouth**  
**Non Major Debt Service Funds**  
**Combining Balance Sheet**  
**June 30, 2006**

	<b><u>1997 General Obligation</u></b>	<b><u>Motor Vehicle Highway</u></b>	<b><u>Municipal Building Authority</u></b>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 54,366	\$ 11,609	\$ 1,426
Prepaid Expenditure	<u>-</u>	<u>-</u>	<u>250</u>
Total Assets	\$ <u><u>54,366</u></u>	\$ <u><u>11,609</u></u>	\$ <u><u>1,676</u></u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>			
Liabilities	\$ -	\$ -	\$ -
Fund Balance:			
Reserved for Debt Service	<u>54,366</u>	<u>11,609</u>	<u>1,676</u>
Total Fund Balance	<u>54,366</u>	<u>11,609</u>	<u>1,676</u>
Total Liabilities and Fund Balance	\$ <u><u>54,366</u></u>	\$ <u><u>11,609</u></u>	\$ <u><u>1,676</u></u>

<u>1998 General Obligation</u>	<u>2002 General Obligation</u>	<u>2002 Capital Improvement</u>	<u>2004 General Obligation</u>	<u>Total</u>
\$ 11,004	\$ 14,200	\$ 5,862	\$ 16,447	\$ 114,914
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250</u>
\$ <u>11,004</u>	\$ <u>14,200</u>	\$ <u>5,862</u>	\$ <u>16,447</u>	\$ <u>115,164</u>
\$ -	\$ -	\$ -	\$ -	\$ -
11,004	14,200	5,862	16,447	115,164
<u>11,004</u>	<u>14,200</u>	<u>5,862</u>	<u>16,447</u>	<u>115,164</u>
\$ <u>11,004</u>	\$ <u>14,200</u>	\$ <u>5,862</u>	\$ <u>16,447</u>	\$ <u>115,164</u>

**City of Plymouth**  
**Non Major Debt Service Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2006**

	<b>1997 General Obligation</b>	<b>Motor Vehicle Highway</b>	<b>Municipal Building Authority</b>
<b><u>Revenues:</u></b>			
Property Taxes	\$ 640,481	\$ -	\$ -
Interest and Rent	14,315	405	395,200
Other	9,611	-	-
Total Revenues	<u>664,407</u>	<u>405</u>	<u>395,200</u>
<b><u>Expenditures:</u></b>			
Debt Service			
Principal Retirement	580,000	-	350,000
Interest and Fiscal Charges	<u>57,075</u>	<u>275</u>	<u>44,093</u>
Total Expenses	<u>637,075</u>	<u>275</u>	<u>394,093</u>
Excess (Deficiency) of Revenues Over Expenditures	27,332	130	1,107
<b><u>Other Financing Sources:</u></b>			
Operating Transfers In	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over Expenditures	27,332	130	1,107
Fund Balance, July 1	<u>27,034</u>	<u>11,479</u>	<u>569</u>
Fund Balance, June 30	\$ <u><u>54,366</u></u>	\$ <u><u>11,609</u></u>	\$ <u><u>1,676</u></u>

<b>1998 General Obligation</b>	<b>2002 General Obligation</b>	<b>2002 Capital Improvement</b>	<b>2004 General Obligation</b>	<b>Total</b>
\$ 109,503	\$ 165,240	\$ -	\$ 179,803	\$ 1,095,027
2,526	3,139	50	10,840	426,475
1,324	875	-	651	12,461
<u>113,353</u>	<u>169,254</u>	<u>50</u>	<u>191,294</u>	<u>1,533,963</u>
100,000	90,000	90,000	-	1,210,000
9,400	75,000	27,990	177,232	391,065
<u>109,400</u>	<u>165,000</u>	<u>117,990</u>	<u>177,232</u>	<u>1,601,065</u>
3,953	4,254	(117,940)	14,062	(67,102)
<u>-</u>	<u>-</u>	<u>122,216</u>	<u>-</u>	<u>122,216</u>
3,953	4,254	4,276	14,062	55,114
<u>7,051</u>	<u>9,946</u>	<u>1,586</u>	<u>2,385</u>	<u>60,050</u>
\$ <u><u>11,004</u></u>	\$ <u><u>14,200</u></u>	\$ <u><u>5,862</u></u>	\$ <u><u>16,447</u></u>	\$ <u><u>115,164</u></u>

**City of Plymouth**  
**Non Major Capital Project Funds**  
**Combining Balance Sheet**  
**June 30, 2006**

	<b><u>Motor Vehicle Highway</u></b>	<b><u>2002 Capital Improvement</u></b>	<b><u>2006 L.T.G.O. Cap. Imp.</u></b>	<b><u>Total</u></b>
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ <u>644,883</u>	\$ <u>-</u>	\$ <u>478</u>	\$ <u>645,361</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>				
Liabilities:				
Due to Other Funds	\$ -	\$ -	\$ 478	\$ 478
Fund Balance :				
Reserved for Construction	<u>644,883</u>	<u>-</u>	<u>-</u>	<u>644,883</u>
Total Liabilities and Fund Balance	\$ <u>644,883</u>	\$ <u>-</u>	\$ <u>478</u>	\$ <u>645,361</u>



**City of Plymouth**  
**Non Major Capital Project Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**For the Year Ended June 30, 2006**

	<b><u>Motor Vehicle Highway</u></b>	<b><u>2002 Capital Improvement</u></b>	<b><u>2006 L.T.G.O. Cap. Imp.</u></b>	<b><u>Total</u></b>
<b><u>Revenues:</u></b>				
Interest Income	\$ 21,474	\$ 172	\$ -	\$ 21,646
<b><u>Expenditures:</u></b>				
Construction	1,431	-	-	1,431
Other	-	-	522	522
Total Expenditures	<u>1,431</u>	<u>-</u>	<u>522</u>	<u>1,953</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>20,043</u>	<u>172</u>	<u>(522)</u>	<u>19,693</u>
<b><u>Other Financing Sources (Uses):</u></b>				
Operating Transfers In	60,000	-	522	60,522
Operating Transfers Out	<u>(3,561)</u>	<u>(4,976)</u>	<u>-</u>	<u>(8,537)</u>
Total Other Financing Sources (Uses)	<u>56,439</u>	<u>(4,976)</u>	<u>522</u>	<u>51,985</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	76,482	(4,804)	-	71,678
Fund Balance - July 1	<u>568,401</u>	<u>4,804</u>	<u>-</u>	<u>573,205</u>
Fund Balance - June 30	\$ <u><u>644,883</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>644,883</u></u>

# POST, SMYTHE, LUTZ and ZIEL LLP

*Certified Public Accountants*

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November 10, 2006

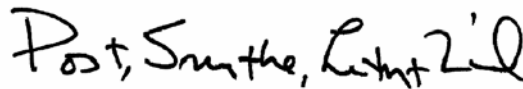
Honorable Mayor and City Commission  
City of Plymouth  
Plymouth, Michigan

In planning and performing our audit of the City of Plymouth for the year ended June 30, 2006, we have considered the City's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions in these areas. This letter does not affect our report dated November 10, 2006 on the financial statements of the City of Plymouth.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City officials, and we will be pleased to discuss them in further detail at your convenience, to perform any additional studies or assist in their implementation.

Respectfully,



POST, SMYTHE, LUTZ and ZIEL LLP  
Certified Public Accountants

### Accounting Processes

Improvement appears necessary to provide more meaningful interim reporting, and faster year end closings, without significant manual efforts. The following areas should be reviewed:

1. Accounts Payable/Purchasing Process-in order to expedite monthly closings, and to reduce manual efforts, we suggest that the requisition, purchase order, and approval functions be converted to electronic documents. Invoices should be entered into the system (but not paid) when they are received from vendors, once the approval process is complete.
2. Engineering plan review and inspection fee-while the City adopted specific policies outlining procedures to be used to administer these funds, it doesn't appear that any formalized accounting processes were developed to implement the policies. Currently no subsidiary records are maintained on a project by project basis; the only accounting records are the general ledger postings. Ideally, the subsidiary records would be reconciled to the general ledger on a monthly basis, to ensure timely billing to the developers, and accuracy of general ledger postings.
3. Performance bonds-the accounting department should reconcile the open bonds maintained by the building department on a monthly basis.
4. Accounts Receivable-during our audit, we noted several large invoices are unpaid well past 90 days, and some are over a year old. Additionally, we noted that some billings did not occur until in a timely fashion. We suggest a "bottoms up" review of the processes used to bill services rendered by the City, as well as more formalized collection processes.

### Budgets

Currently, the City Commission adopts budgets for special revenue funds at the "total fund" level. The State Treasurer indicates that special revenue funds must be adopted at the line item or departmental/activity level. We suggest that the current budgets be amended to appropriate funds at the departmental level for all special revenue funds, and that future budgets be adopted at the departmental level.

### Internal Control Matters

To improve internal accounting control, we recommend the following:

- Cemetery Revenues-currently the DPW employees administer all aspects of the revenues, including sales, cash receipts, inventory control (lots and crypts), and in some cases deed generation. We suggest that the City review means to better segregate the duties.
- Review the possibility of using "positive pay" which is a service offered by your bank which records pertinent information about each check such as the amount, the check number, bank information and date, and then transmits it to the bank to be verified, before the check can be paid. This will help insure that only authorized payments are paid by the bank.
- Consider establishing a separate accounts payable checking account for larger transactions, and limit the dollar amount of the "typical" payable and payroll checks to a specific amount. Banks offer a service which automatically returns checks unpaid if they exceed a given dollar limit.
- Use regional "lock box" services offered by banks, which could speed up cash flow and improve internal control. Generally, the banks will also work with your accounting software to update customer accounts in an automated fashion.

#### Interest on Property Tax Collections

P.A. 169 of 1988 requires tax collecting agencies to share investment income earned in the property tax fund with other taxing authorities, unless an agreement between the parties (which contains consideration) provides for retention of the interest. We suggest that the City enter into such agreements, or share the interest as required.

#### Delinquent Personal Property Taxes Receivable

The City should follow the processes outlined in MCL 211.56a to remove delinquent personal property uncollected after five years. Currently, taxes going back to 1987 remain on the books. The net impact to fund balance will be nominal, as the asset property taxes receivable, is offset by a "contra account", allowance for doubtful accounts. Any parcels in the DDA, which are petitioned to the Circuit Court as "uncollectible", should be refunded to the other taxing agencies, as the DDA capture generally reflected 100% of the taxes levied.

#### Upcoming Reporting Change

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Post employment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" post employment benefits (other than pensions). The new rules will cause the City as a whole to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid, in the "Entity Wide" financial statements. The new pronouncement is effective for the year ending June 30, 2008, and will require actuarial valuations of the liability at least tri-annually.